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REVIEW OF CERTIFIED EMPLOYEE SICK
LEAVE USAGE PATTERNS AND RELATED
EFFECTS OF PROPOSED LEGISLATION
ON SELECTED SCHOOL DISTRICTS

JANUARY 1974

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February 5, 1974

Honorable John L. Harmer
Chairman, Senate Select Committee on
Innovation in the Structure and
Administration of Public Education
State Capitol, Room 5072
Sacramento, California 95814

Dear John:

Enclosed is a copy of the Auditor General's report together with his findings which you have asked for in your letter of December 5, 1973.

If necessary, the Auditor General and the auditor involved in the assignment will be available should you have any questions regarding this report.

With my warm best wishes,

Sincerely,



VINCENT THOMAS
Chairman, Joint Legislative
Audit Committee

VT:emo

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SUMMARY OF FINDINGS

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SICK LEAVE USAGE FORMS A PATTERN AS THE EMPLOYEES NEAR RETIREMENT

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- Increased age and increased sick leave usage were generally correlated. 4
- Sick leave usage in the year of retirement was two and one half times the average. 4

THE AVERAGE PRESENT VALUE OF ONE YEAR'S SERVICE RETIREMENT CREDIT IS \$3,499

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THE RECOVERY OF COSTS ARISING FROM PROPOSED LEGISLATION TO GRANT ADDITIONAL RETIREMENT SERVICE CREDIT EQUAL TO UNUSED SICK LEAVE AT RETIREMENT CANNOT BE CALCULATED UNLESS ASSUMPTIONS ARE MADE CONCERNING THE EFFECTS OF SUCH PROPOSED LEGISLATION ON EMPLOYEE DECISIONS ON EARLY RETIREMENT AND SICK LEAVE USAGE

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- The fiscal impact of proposed legislation cannot be calculated unless assumptions are made as to the effects of such proposed legislation on employee decisions on early retirement and sick leave usage. In lieu of making such assumptions, we have calculated the effects the proposed legislation must have to result in no net costs for six school districts. 8
- Cost Recovery Solely Through Lower Salaries Paid To Replacement Teachers Because of Early Retirements 9

The costs to the selected school districts of implementing the proposed legislation, based upon their 1972-73 costs and retirement data, could be recovered in the first year following enactment of the proposed legislation solely from lower salaries that would be paid replacement teachers if employees apply from 51 to 81 percent of their unused sick leave to set early retirement dates, depending on the district, and if replacements are hired at the first step in the district's teacher salary schedule. Salary savings available to pay subsequent years' costs of the proposed legislation will reduce by about seven to ten percent per year because in subsequent years replacements of early retirees will be higher on district salary schedules than if the retirees had not retired early. 9

- Cost Recovery Solely Through Reduced Expenditures for Substitute Teachers Because of Reduced Sick Leave Usage

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The costs of five of the six selected school districts of implementing proposed legislation, based upon their 1972-73 costs and retirement data, could be recovered solely by reducing expenditures for substitute teachers by 3.9 to 16.3 percent, depending on the district. The sixth district would require a reduction of 53.6 percent, which does not appear likely for that district.

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INTRODUCTION

In response to a legislative request, we have reviewed sick leave accumulation and usage patterns of certificated employees at seven selected school districts, determined the present value of service retirement credit statewide, and calculated the costs for selected districts of providing additional retirement benefits equal to unused sick leave. Our calculations were for the purpose of determining how the effects of proposed legislation might result in no additional net costs to taxpayers. The seven school districts are as follows:

- Compton Unified
- Del Paso Heights Elementary
- Los Angeles Unified
- San Francisco Unified
- San Juan Unified
- Stockton City Unified
- Ukiah Unified

Data presented in this report is based upon unaudited information provided by the districts and the State Teachers' Retirement System and from samples of data taken from files maintained by the districts.

SICK LEAVE USAGE FORMS A PATTERN AS
THE EMPLOYEES NEAR RETIREMENTAVERAGE SICK LEAVE USAGE

Average sick leave usage in the 1972-73 fiscal year in the seven selected districts ranged from 4.8 days to 15.5 days per certificated employee. No identifiable patterns of sick leave usage were noted in relation to district size or location. Within districts, increased age and increased sick leave usage were generally correlated, especially in the 50 through 59 and in the 60 and over age groups.

The average 1972-73 sick leave usage per certificated employee regardless of age for each of the seven selected districts was as follows:

<u>District</u>	<u>Days</u>
Compton Unified	8.1
Del Paso Heights Elementary	15.5
Los Angeles Unified	7.9
San Francisco Unified	7.4
San Juan Unified	5.1
Stockton City Unified	6.0
Ukiah Unified	4.8

Average sick leave used in Del Paso Heights Elementary was almost twice that of any of the other six districts. Possible reasons are (1) 30 of the district's 87 certificated employees are age 60 or more, and (2) the district has granted 15 days sick leave per year to 10-month certificated employees. The Education Code requires only that 10-month certificated employees be allowed a minimum of 10 days sick leave per year.

Average 1972-73 sick leave usage by age groups was as follows:

	Age 20 Thru 29	Age 30 Thru 39	Age 40 Thru 49	Age 50 Thru 59	Age 60 And Over
Compton Unified	7.7	7.0	9.5	6.5	12.4
Del Paso Heights Elementary	7.1	9.7	10.8	16.8	21.6
Los Angeles Unified	7.1	7.8	7.6	8.7	11.4
San Francisco Unified	6.6	7.3	5.7	7.9	15.1
San Juan Unified	5.5	4.6	5.2	5.5	6.7
Stockton City Unified	4.5	6.3	3.4	8.9	8.3
Ukiah Unified	5.8	4.6	3.8	6.4	3.8

AVERAGE SICK LEAVE USAGE
IN YEAR OF RETIREMENT

Average sick leave usage in the 1972-73 fiscal year by certificated employees who retired in 1972-73 was more than two-and-one-half times that of certificated employees generally, and nearly twice that of certificated employees age 60 and over.

The average number of days of sick leave used in the 1972-73 fiscal year by certificated employees who retired in 1972-73 were as follows:

<u>District</u>	<u>Days</u>
Compton Unified	22.7
Del Paso Heights Elementary	15.0
Los Angeles Unified	22.5
San Francisco Unified	15.7
San Juan Unified	15.9
Stockton City Unified	14.4
Ukiah Unified	14.4

AVERAGE ACCUMULATED
SICK LEAVE AT RETIREMENT

Average unused sick leave balances for certificated employees who retired in 1972-73 fiscal year by district ranged from 49 days to 164 days. It should be noted, however, that the amount of accumulated sick leave is affected by district practices in granting sick leave as well as by its usage. Some of the selected districts grant the minimum allotment provided in the Education Code while others provided up to one-and-one-half times that annual allotment. For example, Del Paso Heights Elementary allows all certificated employees 15 days sick leave per year, while Los Angeles Unified provides 10 days sick leave to 10 and 12-month certificated employees.

The average unused sick leave balances for certificated employees who retired in 1972-73 by district were as follows:

<u>District</u>	<u>Days</u>
Compton Unified	59.5
Del Paso Heights Elementary	164.0
Los Angeles Unified	49.0
San Francisco Unified	89.5
San Juan Unified	75.7
Stockton City Unified	123.9
Ukiah Unified	90.0

THE AVERAGE PRESENT VALUE OF ONE YEAR'S
SERVICE RETIREMENT CREDIT IS \$3,499

On the basis of statistical data maintained by the State Teachers' Retirement System on 6,449 service retirements during fiscal year 1972-73, we calculated the average present value of one year's service retirement credit to be \$3,499. This is the average amount that school districts would have paid to the State Teachers' Retirement System at the date of retirement for each year of sick leave accumulated by employees retiring in the 1972-73 fiscal year if proposed legislation to grant additional retirement service credit equal to unused sick leave at retirement had been in effect.

The following information was obtained from the State Teachers' Retirement System for certificated employees who retired in 1972-73:

Number of male retirees	1,643	25.5%
Number of female retirees	<u>4,806</u>	<u>74.5</u>
Total number of retirees	<u>6,449</u>	<u>100.0%</u>
Average monthly final compensation of male retirees (average of highest three years)		\$1,317 per month
Average monthly final compensation of female retirees (average of highest three years)		\$1,054 per month
Average age of all retirees upon retirement		61.4 years

THE RECOVERY OF COSTS ARISING FROM PROPOSED
LEGISLATION TO GRANT ADDITIONAL
RETIREMENT SERVICE CREDIT EQUAL TO UNUSED
SICK LEAVE AT RETIREMENT CANNOT BE CALCULATED
UNLESS ASSUMPTIONS ARE MADE CONCERNING THE
EFFECTS OF SUCH PROPOSED LEGISLATION ON EMPLOYEE
DECISIONS ON EARLY RETIREMENT
AND SICK LEAVE USAGE

The fiscal impact of the proposed legislation cannot be calculated unless assumptions are made as to its effect on employee decisions on early retirement and sick leave usage. In lieu of making such assumptions, we have calculated the effects that such proposed legislation must have to result in no net costs for six districts. These calculations were not made for Del Paso Heights Elementary because 1972-73 retirements did not appear typical. Only two certificated employees of the district retired in 1972-73 and 30 of the district's 87 certificated employees were 60 years of age or older.

The proposed legislation provides that unused sick leave of school certificated employees be counted as a proportionate amount of service credit for purposes of computing length of service for retirement benefits under the State Teachers' Retirement System. The proposed legislation states that neither appropriation is made nor obligation created for the reimbursement of any local agency because it contains savings as well as costs.

Section 2164.3(a) of the Revenue and Taxation Code, enacted as part of the "Property Tax Relief Act of 1972" (Ch. 1406; Stats. 72) provides that the state shall pay each local government entirely for the

costs which are mandated by enactments of the Legislature after January 1, 1973, of any new state-mandated program or any increased level of service by an existing mandated program.

Districts may recover their additional costs which would result from the proposed legislation through:

- Lower salaries paid to replacements of employees induced to retire early, and
- Reduced sick leave usage and therefore reduced substitute teacher expenditures.

Cost Recovery Solely Through Lower Salaries
Paid To Replacement Teachers Because of
Early Retirements

Our analysis disclosed that the costs to the selected school districts of implementing the proposed legislation, based upon their 1972-73 costs and retirement data, could be recovered in the first year following enactment of the proposed legislation solely from lower salaries that would be paid replacement teachers if employees apply from 51 to 81 percent of their unused sick leave to set early retirement dates, depending on the district, and if replacements are hired at the first step in the district's teacher salary schedule. This is shown in the following table.

<u>District</u>	<u>Excess of Average Annual Salary of Retiring Employees Over First Step of Replacement Teacher Salary Schedule (Salary Savings)</u>	<u>Percentage of Accumulated Sick Leave Which Must Be Applied To Set An Early Retirement Date To Recover All Costs Of The Proposed Legislation In the First Year Following Enactment If Replacements Are Hired at the First Step The Teacher Salary Schedule</u>
Compton Unified	\$6,807	51%
Los Angeles Unified	6,206	56
San Francisco Unified	5,825	60
San Juan Unified	4,972	70
Stockton City Unified	5,212	67
Ukiah Unified	4,311	81

Net salary savings available to offset subsequent years' costs of the proposed legislation will reduce by about seven to ten percent annually after the first year of enactment because in subsequent years, replacement's of early retirees will be higher on district salary schedules than if the retirees had not retired early.

Cost Recovery Solely Through Reduced
Expenditures For Substitute Teachers
Because of Reduced Sick Leave Usage

Our analysis disclosed that the costs of five of the six selected school districts of implementing the proposed legislation, based upon their 1972-73 costs and retirement data, could be recovered solely from reduced expenditures for substitute teachers if such expenditures are reduced

by 3.9 to 16.3 percent, depending on the district. The sixth district would require a reduction of 53.6 percent, which does not appear likely for that district. These percentages were calculated by dividing each district's estimated costs of the proposed legislation for 1972-73 retirees by the district's expenditures for substitute teachers in 1972-73, as if the proposed legislation had been in effect in that year.

The percentage of reduced expenditures for substitute teachers resulting from reduced sick leave usage necessary to recover all costs of the proposed legislation of 1972-73 retirees of each of the selected districts are as follows:

<u>District</u>	<u>Percentage Reduction In Substitute Teacher Expenditures</u>
Compton Unified	9.6%
Los Angeles Unified	3.9
San Francisco Unified	6.2
San Juan Unified	16.3
Stockton City Unified	13.5
Ukiah Unified	53.6



Harvey M. Rose
Auditor General

February 1, 1974

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